

A resolution

memorializing the Congress of the United States to oppose enactment of legislation of the substance and tenor of S. 40/H.R. 3200 – the National Insurance Act of 2007 – proposed optional federal charter legislation.

WHEREAS, the current financial crisis facing the United States and the world is causing Congress and the Administration to review the current regulatory structure presently in force with the object of revising it; and

WHEREAS, the Federal Reserve Board of Governors, Comptroller of the Currency, Securities and Exchange Commission, and other federal regulatory institutions failed their responsibility, causing great harm to the financial system of the United States; and

WHEREAS, the prime example of the failure of the federal regulatory institutions to exercise their responsibility is AIG; and

WHEREAS, the failure of AIG has been caused by the actions and activities of its holding company, the regulation of which is the sole responsibility of the federal government; and

WHEREAS, the regulation of AIG's insurance company subsidiaries has been the responsibility of the state regulators who have fulfilled their responsibilities, which is demonstrated by the fact that none of the approximately 170 insurance subsidiaries has failed; and

WHEREAS, regulation, oversight, and consumer protection have traditionally and historically been powers reserved to state governments under the McCarran-Ferguson Act of 1945; and

WHEREAS, state legislatures are more responsive to the needs of their constituents and the need for insurance products and regulation to meet their state's unique market demands; and

2.1 WHEREAS, many states, including Minnesota, have recently enacted and amended state
2.2 insurance laws to modernize market regulation and provide insurers with greater ability to
2.3 respond to changes in market conditions; and

2.4 WHEREAS, state legislatures, the National Conference of Insurance Legislators (NCOIL),
2.5 the National Association of Insurance Commissioners (NAIC), and the National Conference of
2.6 State Legislators (NCSL) continue to address uniformity issues between states by the adoption
2.7 of model laws that address market conduct, product approval, agent and company licensing,
2.8 and rate deregulation; and

2.9 WHEREAS, new federal legislation to create a national insurance charter is expected to be
2.10 introduced in 2009 that will have the potential to fundamentally alter the role of state governments
2.11 in the insurance industry, thereby creating an unwieldy and unnecessary federal bureaucracy
2.12 proposed without consumer and constituent demand; and

2.13 WHEREAS, such initiatives as S. 40/H.R. 3200 – the National Insurance Act of 2007 –
2.14 proposed optional federal charter legislation may bifurcate insurance regulation and result in a
2.15 labyrinth of federal and state directives that would promote ambiguity and confusion among
2.16 consumers; and

2.17 WHEREAS, bills such as S. 40/H.R. 3200 would allow insurance companies choosing a
2.18 federal charter to avoid state insurance regulatory oversight and evade important state consumer
2.19 protections; and

2.20 WHEREAS, the mechanism that would have been set up under S. 40/H.R. 3200 cannot
2.21 respond to the unique insurance market dynamics and local constituent concerns present in each
2.22 of the 50 states as state regulation does; and

2.23 WHEREAS, bills such as S. 40/H.R. 3200 have the potential to compromise state guaranty
2.24 fund coverage, and employers could end up absorbing losses otherwise covered by these safety
2.25 nets for businesses affected by insolvencies; and

2.26 WHEREAS, bills such as S. 40/H.R. 3200 would ultimately impose the costs of a new and
2.27 needless federal bureaucracy upon businesses and the public; and

2.28 WHEREAS, many state governments derive general revenue dollars from the regulation
2.29 of the business of insurance, including nearly \$14 billion in premium taxes and \$2.7 billion in
2.30 fees and assessments generated in 2006 – of which the state of Minnesota generated over \$348
2.31 million; and

S.F. No. 1778, as introduced - 86th Legislative Session (2009-2010) [09-3361]

3.1 WHEREAS, bills such as S. 40/H.R. 3200 threaten the loss of state revenues from
3.2 insurance fees and assessments, thereby putting at risk the funding of a wide array of essential
3.3 state services; NOW, THEREFORE,

3.4 BE IT RESOLVED by the Legislature of the State of Minnesota that it joins the National
3.5 Conference of Insurance Legislators in expressing its strong opposition to creation of a federal
3.6 insurance charter as proposed in S. 40/H.R. 3200 and any other such federal legislation that
3.7 would threaten the power of state legislatures, governors, insurance commissioners, and attorneys
3.8 general to oversee, regulate, and investigate the business of insurance, and to protect consumers.

3.9 BE IT FURTHER RESOLVED that the Secretary of State of the State of Minnesota is
3.10 directed to prepare copies of this memorial and transmit them to the President and the Secretary of
3.11 the United States Senate, the Speaker and the Clerk of the United States House of Representatives,
3.12 the chair and members of the United States Senate Committee on Banking, Housing, and Urban
3.13 Affairs, the chair and members of the United States House of Representatives Committee on
3.14 Financial Services, and Minnesota's Senators and Representatives in Congress.